1	MECHANICS LIENS REVISIONS
2	2011 GENERAL SESSION
3	STATE OF UTAH
4	Chief Sponsor: David Clark
5	Senate Sponsor:
6 7	LONG TITLE
8	General Description:
9	This bill modifies provisions relating to mechanics' liens.
10	Highlighted Provisions:
11	This bill:
12	<ul> <li>provides priority between construction loans and mechanics' liens;</li> </ul>
13	<ul> <li>modifies provisions related to the State Construction Registry;</li> </ul>
14	<ul> <li>modifies the information by which the State Construction Registry is to be indexed;</li> </ul>
15	<ul> <li>requires each notice or document submitted for inclusion in the State Construction</li> </ul>
16	Registry to contain specified information;
17	<ul> <li>modifies provisions related to building permits and notices of commencement;</li> </ul>
18	<ul> <li>modifies requirements related to the filing of a preliminary notice;</li> </ul>
19	<ul> <li>eliminates the requirement to file a notice of commencement on a private project;</li> </ul>
20	requires the original contractor and each subcontractor on a private project to file a
21	preliminary notice;
22	<ul> <li>prohibits an original contractor or subcontractor who fails to file a preliminary</li> </ul>
23	notice on a private project from claiming a mechanics' lien;
24	<ul><li>repeals obsolete language;</li></ul>
25	<ul> <li>modifies the requirements for a notice of completion;</li> </ul>



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26	<ul> <li>modifies the requirements related to a standardized building permit form; and</li> </ul>
27	<ul> <li>makes technical changes.</li> </ul>
28	Money Appropriated in this Bill:
29	None
30	Other Special Clauses:
31	This bill provides an effective date.
32	This bill coordinates with H.B. 203, Codification of State Construction and Fire Codes,
33	to technically merge substantive amendments.
34	<b>Utah Code Sections Affected:</b>
35	AMENDS:
36	14-1-20, as last amended by Laws of Utah 2010, Chapter 378
37	14-2-5, as last amended by Laws of Utah 2010, Chapter 378
38	<b>38-1-1</b> , Utah Code Annotated 1953
39	<b>38-1-5</b> , Utah Code Annotated 1953
40	38-1-27, as last amended by Laws of Utah 2009, Chapters 183 and 239
41	38-1-30, as last amended by Laws of Utah 2008, Chapter 382
42	38-1-31, as last amended by Laws of Utah 2009, Chapter 50
43	38-1-32, as last amended by Laws of Utah 2009, Chapter 50
44	38-1-33, as last amended by Laws of Utah 2010, Chapter 76
45	38-9-2, as last amended by Laws of Utah 2008, Chapters 3 and 223
46	<b>58-56-20</b> , as last amended by Laws of Utah 2010, Chapter 310
47	63G-6-506, as renumbered and amended by Laws of Utah 2008, Chapter 382
48	ENACTS:
49	<b>38-1-30.5</b> , Utah Code Annotated 1953
50	<b>38-1-31.5</b> , Utah Code Annotated 1953
51	<b>38-1-32.5</b> , Utah Code Annotated 1953
52	REPEALS:
53	38-1-37, as last amended by Laws of Utah 2005, Chapter 64
54	<b>Utah Code Sections Affected by Coordination Clause:</b>
55	<b>15A-1-209</b> . Utah Code Annotated 1953

31	Be it enacted by the Legislature of the state of Otan:
58	Section 1. Section 14-1-20 is amended to read:
59	14-1-20. Preliminary notice requirement.
60	(1) Any person furnishing labor, service, equipment, or material for which a payment
61	bond claim may be made under this chapter shall provide preliminary notice to the designated
62	agent as prescribed by Section [38-1-32] 38-1-32.5, except that this section does not apply:
63	(a) to a person performing labor for wages; or
64	(b) if a notice of commencement is not filed as prescribed in Section [38-1-31]
65	38-1-31.5 for the project or improvement for which labor, service, equipment, or material is
66	furnished.
67	(2) Any person who fails to provide the preliminary notice required by Subsection (1)
68	may not make a payment bond claim under this chapter.
69	(3) The preliminary notice required by Subsection (1) shall be provided prior to
70	commencement of any action on the payment bond.
71	Section 2. Section 14-2-5 is amended to read:
72	14-2-5. Preliminary notice requirement.
73	(1) Any person furnishing labor, service, equipment, or material for which a payment
74	bond claim may be made under this chapter shall provide preliminary notice to the designated
75	agent as prescribed by Section [38-1-32] 38-1-32.5, except that this section does not apply:
76	(a) to a person performing labor for wages; or
77	(b) if a notice of commencement is not filed as prescribed in Section [38-1-31]
78	38-1-31.5 for the project or improvement for which labor, service, equipment, or material is
79	furnished.
80	(2) Any person who fails to provide the preliminary notice required by Subsection (1)
81	may not make a payment bond claim under this chapter.
82	(3) The preliminary notice required by Subsection (1) shall be provided prior to
83	commencement of any action on the payment bond.
84	Section 3. Section 38-1-1 is amended to read:
85	38-1-1. Public buildings not subject to act.
86	[The provisions of this] Except as provided in Sections 38-1-27, 38-1-30 through
87	38-1-37, and 38-1-40 relating to the State Construction Registry, this chapter [shall] does not

88	apply to any public building, structure, or improvement.
89	Section 4. Section <b>38-1-5</b> is amended to read:
90	38-1-5. Priority Over other encumbrances.
91	[The liens herein provided for shall relate]
92	(1) As used in this section:
93	(a) "Construction loan" means a loan:
94	(i) that is secured by a mortgage or trust deed on project property;
95	(ii) the proceeds of which are used to pay the costs of constructing or improving a
96	building or structure on or making an improvement to the project property; and
97	(iii) that is intended to be replaced, upon completion of the construction or
98	improvement, with a mortgage or trust deed securing permanent financing, some or all of the
99	proceeds of which are used to pay those entitled to claim a lien under this chapter on the
100	project property.
101	(b) "First preliminary notice filing" means the filing of the earliest timely filed
102	preliminary notice under Section 38-1-32 for a construction project, as defined in Section
103	<u>38-1-27.</u>
104	(c) "Project property" means the real property on which a building or structure is being
105	constructed or altered or on which an improvement is being made.
106	(2) A lien under this chapter relates back to, and [take] takes effect as of, the time of
107	the [commencement to do work or furnish materials on the ground for the structure or
108	improvement, and shall have] first preliminary notice filing.
109	(3) (a) Except as provided in Subsection (3)(b), a lien under this chapter has priority
110	over <u>:</u>
111	(i) any lien, mortgage, or other encumbrance [which may have attached subsequently to
112	the time when the building, improvement or structure was commenced, work begun, or first
113	material furnished on the ground; also over] that attaches after the first preliminary notice
114	filing; and
115	(ii) any lien, mortgage, or other encumbrance of which the lien holder had no notice
116	and which was unrecorded at the time [the building, structure or improvement was
117	commenced, work begun, or first material furnished on the ground] of the first preliminary
118	notice filing.

119	(b) A recorded mortgage or trust deed on the project property to secure a construction
120	loan has priority over:
121	(i) each lien under this chapter of a claimant who files a preliminary notice under
122	Section 38-1-32 before the mortgage or trust deed is recorded:
123	(A) if the claimant is paid in full for labor, service, equipment, or material that the
124	claimant furnishes to the construction project before the mortgage or trust deed is recorded; and
125	(B) to the extent that the claimant's lien covers labor, service, equipment, or material
126	that the claimant furnishes after the mortgage or trust deed is recorded; and
127	(ii) each lien under this chapter of a claimant who first files a preliminary notice under
128	Section 38-1-32 after the mortgage or trust deed is recorded.
129	Section 5. Section <b>38-1-27</b> is amended to read:
130	38-1-27. State Construction Registry.
131	(1) As used in this section, Sections 38-1-30 through 38-1-37, and Section 38-1-40:
132	(a) "Alternate filing" means a legible and complete filing made in a manner established
133	by the division under Subsection (2)(e) other than an electronic filing.
134	(b) "Cancel" means to indicate that a filing is no longer given effect.
135	(c) "Construction project[7]" or "project[7]" [or "improvement"] means all labor,
136	service, equipment, and materials provided[: (i)] under an original contract[; or].
137	[(ii) by, or under contracts with, an owner-builder.]
138	(d) "Database" means the State Construction Registry created in this section.
139	(e) (i) "Designated agent" means the third party the [Division of Occupational and
140	Professional Licensing] division contracts with to create and maintain the State Construction
141	Registry.
142	(ii) The designated agent is not an agency, instrumentality, or a political subdivision of
143	the state.
144	(f) "Division" means the Division of Occupational and Professional Licensing.
145	(g) "Entry number" means the reference number that the designated agent assigns to
146	each notice or other document filed with the database that is unique for each notice or other
147	document.
148	(h) "Government project" means a construction project undertaken by or for:
149	(i) the state, including a department, division, or other agency of the state; or

150	(11) a county, city, town, school district, local district, special service district,
151	community development and renewal agency, or other political subdivision of the state.
152	(i) "Government project-identifying information" means:
153	(i) the lot or parcel number of each lot included in project property that has a lot or
154	parcel number; and
155	(ii) the unique project number assigned by the designated agent.
156	[(g)] (j) "Interested person" means a person who may be affected by a construction
157	project.
158	(k) "Private project" means a construction project that is not a government project.
159	[(h)] (1) "Program" means the State Construction Registry Program created in this
160	section.
161	(m) "Project property" means the real property on which a construction project occurs
162	or will occur.
163	(2) Subject to receiving adequate funding through a legislative appropriation and
164	contracting with an approved third party vendor who meets the requirements of Sections
165	38-1-30 through 38-1-37, there is created the State Construction Registry Program that shall:
166	(a) (i) assist in protecting public health, safety, and welfare; and
167	(ii) promote a fair working environment;
168	(b) be overseen by the division with the assistance of the designated agent;
169	(c) provide a central repository for [notices of commencement,]:
170	(i) preliminary notices[7] and notices of completion filed in connection with all
171	[privately owned construction] private projects [as well as] in the state; and
172	(ii) notices of commencement, preliminary notices, and notices of completion for all
173	[state and local] government [owned construction] projects [throughout Utah] in the state;
174	(d) [be] make accessible [for filing and review], by way of the program Internet
175	website [of]:
176	(i) the filing and reviewing of:
177	[(i)] (A) notices of commencement on a government project;
178	[ <del>(ii)</del> ] (B) preliminary notices;
179	[(iii)] (C) [a notice] notices of intent to file notice of final completion;
180	[(iv)] (D) [a notice] notices for remaining amounts due to complete the contract; and

181	[ <del>(v)</del> ] <u>(E)</u> notices of completion; <u>and</u>
182	(ii) the transmitting of building permit information under Subsection 38-1-31(2)(a) and
183	the reviewing of that information;
184	(e) accommodate:
185	(i) electronic filing of the notices described in Subsection (2)(d)(i) and electronic
186	transmitting of building permit information described in Subsection (2)(d)(ii); and
187	(ii) alternate filing of the notices described in Subsection (2)(d) by U.S. mail, telefax,
188	or any other alternate method as provided by rule made by the division in accordance with Title
189	63G, Chapter 3, Utah Administrative Rulemaking Act;
190	(f) (i) provide electronic notification for up to three email addresses for each interested
191	person or company who requests notice from the construction notice registry; and
192	(ii) provide alternate means of notification for a person who makes an alternate filing,
193	including U.S. mail, telefax, or any other method as prescribed by rule made by the division in
194	accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act; and
195	(g) provide hard-copy printing of electronic receipts for an individual filing evidencing
196	the date and time of the individual filing and the content of the individual filing.
197	(3) (a) The designated agent shall provide notice of all other filings for a project to any
198	person who files a notice of commencement, preliminary notice, or notice of completion for
199	that project, unless the person:
200	(i) requests that the person not receive notice of other filings; or
201	(ii) does not provide the designated agent with the person's contact information in a
202	manner that adequately informs the designated agent.
203	(b) An interested person may request notice of filings related to a project.
204	(c) The database shall be indexed by:
205	(i) the name of the property owner [name];
206	(ii) the name of the original contractor [name];
207	[(iii) subdivision, development, or other project name, if any;]
208	[(iv) project address;]
209	[(v) lot or parcel number;]
210	[(vi) unique project number assigned by the designated agent; and]
211	(iii) the address of the project property;

212	(iv) entry number;
213	(v) the name of the county in which the project property is located;
214	(vi) for private projects:
215	(A) the tax parcel identification number of each parcel included in the project property;
216	<u>and</u>
217	(B) the building permit number;
218	(vii) for government projects, the government project-identifying information; and
219	[(viii)] (viii) any other identifier that the division considers reasonably appropriate in
220	collaboration with the designated agent.
221	(4) (a) In accordance with the process required by Section 63J-1-504, the division shall
222	establish the fees for:
223	(i) a notice of commencement on a government project;
224	(ii) a preliminary notice;
225	(iii) a notice of intent to file notice of final completion;
226	(iv) a notice for remaining amounts due to complete the contract;
227	(v) a notice of completion;
228	(vi) a request for notice;
229	(vii) providing a required notice by an alternate method of delivery;
230	(viii) a duplicate receipt of a filing; and
231	(ix) account setup for a person who wishes to be billed periodically for filings with the
232	database.
233	(b) The fees allowed under Subsection (4)(a) may not exceed the amount reasonably
234	necessary to create and maintain the database.
235	(c) The fees established by the division may vary by method of filing if one form of
236	filing is more costly to process than another form of filing.
237	(d) The division may provide by contract that the designated agent may retain all fees
238	collected by the designated agent except that the designated agent shall remit to the division the
239	cost of the division's oversight under Subsection (2)(b).
240	(5) (a) The database is classified as a public record under Title 63G, Chapter 2,
241	Government Records Access and Management Act, unless otherwise classified by the division.
242	(b) A request for information submitted to the designated agent is not subject to Title

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order.

- 243 63G, Chapter 2, Government Records Access and Management Act. 244 (c) Information contained in a public record contained in the database shall be 245 requested from the designated agent. 246 (d) The designated agent may charge a commercially reasonable fee allowed by the 247 designated agent's contract with the division for providing information under Subsection (5)(c). 248 (e) Notwithstanding Title 63G, Chapter 2, Government Records Access and 249 Management Act, if information is available in a public record contained in the database, a 250 person may not request the information from the division. 251 (f) (i) A person may request information that is not a public record contained in the 252 database from the division in accordance with Title 63G, Chapter 2, Government Records 253 Access and Management Act. 254 (ii) The division shall inform the designated agent of how to direct inquiries made to 255 the designated agent for information that is not a public record contained in the database. 256 (6) The following are not an adjudicative proceeding under Title 63G, Chapter 4, 257 Administrative Procedures Act: 258 (a) the filing of a notice permitted by this chapter; 259 (b) the rejection of a filing permitted by this chapter; or 260 (c) other action by the designated agent in connection with a filing of any notice 261 permitted by this chapter. 262 (7) The division and the designated agent need not determine the timeliness of any 263 notice before filing the notice in the database. 264 (8) (a) A person who is delinquent on the payment of a fee established under 265 Subsection (4) may not file a notice with the database. 266 (b) A determination that a person is delinquent on the payment of a fee for filing 267 established under Subsection (4) shall be made in accordance with Title 63G, Chapter 4, 268 Administrative Procedures Act. 269 (c) Any order issued in a proceeding described in Subsection (8)(b) may prescribe the
  - (9) If a notice is filed by a third party on behalf of another, the notice is considered to be filed by the person on whose behalf the notice is filed.

method of that person's payment of fees for filing notices with the database after issuance of the

274	(10) A person filing a notice of commencement, preliminary notice, or notice of
275	completion is responsible for verifying the accuracy of information entered into the database,
276	whether the person files electronically or by alternate or third party filing.
277	(11) Each notice or other document submitted for inclusion in the database and for
278	which this chapter does not specify information required to be included in the notice or other
279	document shall contain:
280	(a) the name of the county in which the project property to which the notice or other
281	document applies is located;
282	(b) for a private project:
283	(i) the tax parcel identification number of each parcel included in the project property;
284	<u>or</u>
285	(ii) the number of the building permit for the construction project on the project
286	property; and
287	(c) for a government project, the government project-identifying information.
288	Section 6. Section <b>38-1-30</b> is amended to read:
289	38-1-30. Third-party contract Designated agent.
290	(1) The division shall contract in accordance with Title 63G, Chapter 6, Utah
291	Procurement Code, with a third party to establish and maintain the database for the purposes
292	established under this section, Section 38-1-27, and Sections 38-1-31 through 38-1-37.
293	(2) (a) The third party under contract under this section is the division's designated
294	agent, and shall develop and maintain a database from the information provided by:
295	(i) local government entities issuing building permits;
296	(ii) original contractors;
297	(iii) subcontractors; and
298	(iv) other interested persons.
299	(b) The database shall accommodate filings by third parties on behalf of clients.
300	(c) The division and the designated agent shall design, develop, and test the database
301	for full implementation on May 1, 2005.
302	(3) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
303	division shall make rules and develop procedures for:
304	(a) the division to oversee and enforce this section, Section 38-1-27, and Sections

305	38-1-31 through 38-1-37;
306	(b) the designated agent to administer this section, Section 38-1-27, and Sections
307	38-1-31 through 38-1-37; and
308	(c) the form of submission of an alternate filing, which may include procedures for
309	rejecting an illegible or incomplete filing.
310	(4) (a) The designated agent shall archive computer data files at least semiannually for
311	auditing purposes.
312	(b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
313	division shall make rules to allow the designated agent to periodically archive projects from the
314	database.
315	(c) A project shall be archived no earlier than:
316	(i) one year after the day on which a notice of completion is filed for a project;
317	(ii) if no notice of completion is filed, two years after the last filing activity for a
318	project; or
319	(iii) one year after the day on which a filing is cancelled under Subsection
320	$38-1-32[\frac{(3)}{(5)}](c)$ or $38-1-33(2)(c)$ .
321	(d) The division may audit the designated agent's administration of the database as
322	often as the division considers necessary.
323	(5) The designated agent shall carry errors and omissions insurance in the amounts
324	established by rule made by the division in accordance with Title 63G, Chapter 3, Utah
325	Administrative Rulemaking Act.
326	(6) (a) The designated agent shall make reasonable efforts to assure the accurate entry
327	into the database of information provided in alternate filings.
328	(b) The designated agent shall meet or exceed standards established by the division for
329	the accuracy of data entry for alternate filings.
330	(7) The designated agent is not liable for the correctness of the information contained
331	in an alternate filing it enters into the database.
332	Section 7. Section <b>38-1-30.5</b> is enacted to read:
333	38-1-30.5. Notice of construction loan.
334	(1) Promptly after recording a mortgage or trust deed securing a construction loan, as
335	defined in Section 38-1-5, the lender on the loan shall file with the database a notice of

336	construction loan.
337	(2) A notice under Subsection (1) shall include:
338	(a) the lender's name, address, and telephone number;
339	(b) the name of the trustor on the trust deed securing the loan;
340	(c) the tax parcel identification number of each parcel included or to be included in the
341	construction project for which the loan was given;
342	(d) the address of the project property; and
343	(e) the name of the county in which the project property is located.
344	Section 8. Section <b>38-1-31</b> is amended to read:
345	38-1-31. Building permit Transmission to database Posting at project site.
346	[(1) (a) (i) (A) For a construction project where a building permit is issued to an
347	original contractor or owner-builder, no later than 15 days after the issuance of the building
348	permit:]
349	[(I) the local government entity issuing that]
350	(1) (a) A county, city, or town issuing a building permit for a private project shall, no
351	<u>later than 15 days after issuing the permit</u> , input the building permit application and transmit
352	the building permit information to the database electronically by way of the Internet or
353	computer modem or by any other means[; or].
354	[(II) the original contractor, owner, or owner-builder may file a notice of
355	commencement with the database whether or not a building permit is issued or a notice of
356	commencement is filed under Subsection (1)(a)(i)(A)(I).]
357	[(B) The information submitted under Subsection (1)(a)(i)(A) forms the basis of a
358	notice of commencement.]
359	[(ii)] (b) The person to whom a building permit, filed under Subsection $(1)(a)[(i)]$ , is
360	issued is responsible for the accuracy of the information in the building permit.
361	[(iii)] (c) For the purposes of classifying a record under Title 63G, Chapter 2,
362	Government Records Access and Management Act, building permit information transmitted
363	from a [local governmental entity] county, city, or town to the database shall be classified in
364	the database by the division notwithstanding the [local governmental entity's] classification of
365	the building permit information by the county, city, or town.
366	[(b) No later than 15 days after commencement of physical construction work at the

86/	project site, the original contractor, owner, or owner-builder may file a notice of
368	commencement with the database whether or not a building permit is issued or a notice of
369	commencement is filed under Subsection (1)(a).
370	[(c) An original contractor, owner, or owner-builder may file a notice of
371	commencement with the designated agent prior to the time frames established in Subsections
372	<del>(1)(a) and (b).</del> ]
373	[(d) An owner of construction or an original contractor may file a notice of
374	commencement with the designated agent within the time prescribed by Subsections (1)(a) and
375	<del>(b).</del> ]
376	[(e) (i) If duplicate notices of commencement are filed, they shall be combined into one
377	notice for each project and any notices filed relate back to the date of the earliest-filed notice of
378	commencement for the project.]
379	[(ii) A duplicate notice of commencement that is untimely filed relates back under
380	Subsection (1)(e)(i) if the earlier filed notice of commencement is timely filed.]
381	[(iii) Duplicate notices of commencement shall be automatically linked by the
382	designated agent.]
383	[(f) The designated agent shall assign each construction project a unique project
384	number that:]
385	[(i) identifies each construction project; and]
386	[(ii) can be associated with all notices of commencement, preliminary notices, and
387	notices of completion.]
388	[(g) A notice of commencement is effective only as to any labor, service, equipment,
889	and material furnished to the construction project that is furnished subsequent to the filing of
390	the notice of commencement.]
391	[(2) (a) A notice of commencement shall include the following:]
392	[(i) the name and address of the owner of the project;]
393	[(ii) the name and address of the:]
394	[(A) original contractor; and]
395	[(B) surety providing any payment bond for the project, or if none exists, a statement
396	that a payment bond was not required for the work being performed; and]
397	[(iii) (A) the project address if the project can be reasonably identified by an address;

398	<del>or</del> ]
399	[(B) the name and general description of the location of the project if the project cannot
400	be reasonably identified by an address.]
401	[(b) A notice of commencement may include:]
402	[(i) a general description of the project; or]
403	[(ii) the lot or parcel number, and any subdivision, development, or other project name,
404	of the real property upon which the project is to be constructed if the project is subject to
405	mechanics' liens.]
406	[(c) A notice of commencement need not include all of the items listed in Subsection
407	<del>(2)(a) if:</del> ]
408	[(i) a building permit is issued for the project; and]
409	[(ii) all items listed in Subsection (2)(a) that are available on the building permit are
410	included in the notice of commencement.]
411	[(3) If a notice of commencement for a construction project is not filed within the time
412	set forth in Subsections(1)(a) and (b), the following do not apply:]
413	[ <del>(a) Section 38-1-32; and</del> ]
414	[ <del>(b)</del> Section 38-1-33.]
415	[(4) (a) Unless a person indicates to the division or designated agent that the person
416	does not wish to receive a notice under this section, electronic notice of the filing of a notice of
417	commencement or alternate notice as prescribed in Subsection (1), shall be provided to:]
418	[(i) all persons who have filed notices of commencement for the project; and]
419	[(ii) all interested persons who have requested notices concerning the project.]
420	[(b) (i) A person to whom notice is required under Subsection (4)(a) is responsible for:]
421	[(A) providing an e-mail address, mailing address, or telefax number to which a notice
422	required by Subsection (4)(a) is to be sent; and]
423	[(B) the accuracy of any e-mail address, mailing address, or telefax number to which
424	notice is to be sent.]
425	[(ii) The designated agent fulfills the notice requirement of Subsection (4)(a) when it
426	sends the notice to the e-mail address, mailing address, or telefax number provided to the
427	designated agent whether or not the notice is actually received.]
428	[(5) (a) The burden is upon any person seeking to enforce a notice of commencement

429	to verify the accuracy of information in the notice of commencement and prove that the notice
430	of commencement is filed timely and meets all of the requirements in this section.]
431	[(b) A substantial inaccuracy in a notice of commencement renders the notice of
432	commencement unenforceable.]
433	[(c) A person filing a notice of commencement by alternate filing is responsible for
434	verifying and changing any incorrect information in the notice of commencement before the
435	expiration of the time period during which the notice is required to be filed.]
436	[6] At the time a building permit is obtained, each original contractor shall
437	conspicuously post at the project site a copy of the building permit obtained for the project.
438	Section 9. Section <b>38-1-31.5</b> is enacted to read:
439	38-1-31.5. Notice of commencement for a government project.
440	(1) No later than 15 days after commencement of physical construction work at a
441	government project site, the original contractor, owner, or owner-builder shall file a notice of
442	commencement with the database.
443	(2) An original contractor, owner, or owner-builder on a government project may file a
444	notice of commencement with the designated agent before the commencement of physical
445	construction work on the project property.
446	(3) (a) If duplicate notices of commencement are filed, they shall be combined into one
447	notice for each government project, and any notices filed relate back to the date of the
448	earliest-filed notice of commencement for the project.
449	(b) A duplicate notice of commencement that is untimely filed relates back under
450	Subsection (3)(a) if the earlier filed notice of commencement is timely filed.
451	(c) Duplicate notices of commencement shall be automatically linked by the designated
452	agent.
453	(4) The designated agent shall assign each government project a unique project number
454	that:
455	(a) identifies the project; and
456	(b) can be associated with all notices of commencement, preliminary notices, and
457	notices of completion filed in connection with the project.
458	(5) A notice of commencement is effective only as to any labor, service, equipment,
459	and material that is furnished after the notice of commencement is filed.

460	(6) (a) A notice of commencement shall include:
461	(i) the name, address, and email address of the owner of the project;
462	(ii) the name, address, and email address of the original contractor;
463	(iii) the name, address, and email address of the surety providing any payment bond for
164	the project or, if none exists, a statement that a payment bond was not required for the work
465	being performed;
466	(iv) (A) the project address if the project can be reasonably identified by an address; or
467	(B) the name and general description of the location of the project, if the project cannot
468	be reasonably identified by an address; and
469	(v) the government project identifying information.
470	(b) A notice of commencement may include a general description of the project.
471	(7) If a notice of commencement for a government project is not filed within the time
472	set forth in Subsection (1), Sections 38-1-32 and 38-1-33 do not apply.
473	(8) (a) Notwithstanding any other provision of this chapter, a notice of commencement
174	need not be filed for a private project.
475	(b) A provision of this chapter does not apply to a private project if the provision
476	depends for its effectiveness upon the filing of a notice of commencement.
177	(9) (a) Unless a person indicates to the division or designated agent that the person
478	does not wish to receive a notice under this section, the designated agent shall provide
179	electronic notice of the filing of a notice of commencement or alternate filing to:
480	(i) all persons who have filed notices of commencement for the project; and
481	(ii) all interested persons who have requested notices concerning the project.
182	(b) A person to whom notice is required under Subsection (9)(a) is responsible for:
483	(i) providing an email address, mailing address, or telefax number to which a notice
184	required by Subsection (9)(a) is to be sent; and
485	(ii) the accuracy of any email address, mailing address, or telefax number to which
486	notice is to be sent.
187	(c) The designated agent fulfills the notice requirement of Subsection (9)(a) by sending
488	the notice to the email address, mailing address, or telefax number provided to the designated
189	agent, whether or not the notice is actually received.
190	(10) (a) The burden is upon any person seeking to enforce a notice of commencement

491	to verify the accuracy of information in the notice of commencement and prove that the notice
492	of commencement is filed timely and meets all of the requirements of this section.
493	(b) A substantial inaccuracy in a notice of commencement renders the notice of
494	commencement invalid.
495	(c) A person filing a notice of commencement by alternate filing is responsible for
496	verifying and changing any incorrect information in the notice of commencement before the
497	expiration of the time period during which the notice is required to be filed.
498	Section 10. Section <b>38-1-32</b> is amended to read:
499	38-1-32. Preliminary notice for a private project.
500	(1) (a) [(i) Except for a person who has a contract with an owner or an owner-builder
501	or a laborer compensated with wages, a subcontractor] A person who, under Section 38-1-3, is
502	entitled to a lien under this chapter with respect to a private project shall file a preliminary
503	notice with the database [by the] no later [of: (A)] than 20 days after [commencement of its
504	own work or the commencement of] the person commences furnishing labor, service,
505	equipment, [and] or material to [a construction] the project[; or].
506	[(B) 20 days after the filing of a notice of commencement if the subcontractor's work
507	commences before the filing of the first notice of commencement.]
508	[(ii)] (b) [A] Subject to Subsection (1)(c), a preliminary notice [filed within the period
509	described in Subsection (1)(a)(i)] is effective as to all labor, service, equipment, and material
510	[furnished] that the person filing the notice furnishes to the [construction] private project,
511	including labor, service, equipment, and material [provided] that the person furnishes to more
512	than one contractor or subcontractor on that same project.
513	[(iii) (A) If more than one notice of commencement is filed for a project, a person may
514	attach a preliminary notice to any notice of commencement filed for the project by a party
515	authorized in Section 38-1-31.]
516	[(B) A preliminary notice attached to an untimely notice of commencement is valid if
517	there is also a valid and timely notice of commencement for the project filed by a party
518	authorized in Section 38-1-31.]
519	$[\underline{(b)}]$ $\underline{(c)}$ [If a person files a] $\underline{A}$ preliminary notice $\underline{\text{filed}}$ after the period [prescribed by]
520	<u>provided in Subsection (1)(a)[, the preliminary notice]:</u>
521	(i) becomes effective five days after the day [on which] the preliminary notice is

522	filed[:]; and
523	(ii) is not effective for labor, service, equipment, or material that the person who files
524	the preliminary notice furnishes to the construction project before five days after the
525	preliminary notice is filed.
526	[(c) Except as provided in Subsection (1)(e), failure to file a preliminary notice within
527	the period required by Subsection (1)(a) precludes a person from maintaining any claim for
528	compensation earned for performance of labor or service or supply of materials or equipment
529	furnished to the construction project before the expiration of five days after the late filing of a
530	preliminary notice, except as against the person with whom the person contracted.]
531	(d) A preliminary notice filed for labor, service, equipment, or material furnished to
532	real property for a private project under an original contract is not valid for labor, service,
533	equipment, or material furnished to the same real property for another private project under a
534	separate original contract.
535	[(d)] (e) (i) (A) [If a] A person who [is required to file a preliminary notice under this
536	chapter] fails to file [the] a preliminary notice[, that person] as required in this section may not
537	hold a valid lien under this chapter.
538	(B) A person who files a preliminary notice after the period provided in Subsection
539	(1)(a) may not hold a valid lien under this chapter for labor, service, equipment, or material the
540	person furnishes to the construction project before five days after the preliminary notice is
541	<u>filed.</u>
542	[(B)] (ii) A county recorder need not verify that a valid preliminary notice is filed when
543	a person files a notice to hold and claim a lien under Section 38-1-7.
544	[ <del>(ii) The content of a</del> ]
545	(f) A preliminary notice that is timely filed with the database with respect to a private
546	project is considered to have been filed at the time of the first preliminary notice filing, as
547	defined in Section 38-1-5.
548	(g) If a preliminary notice filed with the database includes the tax parcel identification
549	number of a parcel not previously associated in the database with a private project, the
550	designated agent shall promptly notify the person who filed the preliminary notice that:
551	(i) the preliminary notice includes a tax parcel identification number of a parcel not
552	previously associated in the database with a private project; and

553	(ii) the likely explanation is that:
554	(A) the preliminary notice is the first filing for the project; or
555	(B) the tax parcel identification number is incorrectly stated in the preliminary notice.
556	(h) A preliminary notice for a private project shall include:
557	[(A) the building permit number for the project, or the number assigned to the project
558	by the designated agent;]
559	[(B)] (i) the name, address, [and] telephone number, and email address of the person
560	furnishing the labor, service, equipment, or material for which the preliminary notice is filed;
561	[(C)] (ii) the name and address of the person who contracted with the claimant for the
562	furnishing of the labor, service, equipment, or material;
563	[(D)] (iii) the name of the record or reputed owner of the project property;
564	[(E)] (iv) the name of the original contractor under which the claimant is [performing]
565	furnishing or will [perform its work; and] furnish labor, service, equipment, or material;
566	[(F)] (v) the address of the project property or a description of the location of the
567	project[-];
568	[(iii) Upon request by person identified in Subsection (1)(a)(i), an original contractor
569	shall provide the person with the building permit number for the project, or the number
570	assigned to the project by the designated agent.]
571	[(e) If a person provides labor, service, equipment, or material before the filing of a
572	notice of commencement and the notice of commencement is filed more than 15 days after the
573	day on which the person providing labor, service, equipment, or material begins work on the
574	project, the person providing labor, service, equipment, or material need not file a preliminary
575	notice to maintain the person's right to hold a lien under this chapter or any other right,
576	including a right referenced under Subsection (1)(c).]
577	(vi) the name of the county in which the project property is located; and
578	(vii) (A) the tax parcel identification number of each parcel included in the project
579	property;
580	(B) the entry number of a previously filed notice of construction loan under Section
581	38-1-30.5 on the same project:
582	(C) the entry number of a previously filed preliminary notice on the same project that
583	includes the tax parcel identification number of each parcel included in the project property; or

584	(D) the entry number of the building permit issued for the project.
585	(2) (a) [(i)] Unless a person indicates to the division or designated agent that the person
586	does not wish to receive a notice under this section, electronic notification of the filing of a
587	preliminary notice or alternate [notice as prescribed in Subsection (1),] filing shall be provided
588	to:
589	[(A)] (i) the person filing the preliminary notice; and
590	[(B) each person that filed a notice of commencement for the project; and]
591	[(C) all interested persons who have requested notices]
592	(ii) each person who has requested a notice concerning the project.
593	[(ii)] (b) A person to whom notice is required to be provided under Subsection
594	(2)(a)[ <del>(i)</del> ] is responsible for:
595	[(A)] (i) providing an email address, mailing address, or telefax number to which a
596	notice required by Subsection (2)(a) is to be sent; and
597	[(B)] (ii) the accuracy of any email address, mailing address, or telefax number to
598	which notice is to be sent.
599	[(iii)] (c) The designated agent fulfills the notice requirement of Subsection (2)(a)[(i)
500	when it sends] by sending the notice to the email address, mailing address, or telefax number
501	provided to the designated agent, whether or not the notice is actually received.
502	[(b)] (3) The burden is upon the person filing the preliminary notice to prove that the
503	person has substantially complied with the requirements of this section.
504	[(c)] (4) (a) Subject to Subsection $[(2)(d)]$ (4)(b), a person required by this section to
505	give preliminary notice is only required to give one notice for each project.
606	[(d)] (b) If the labor, service, equipment, or material is furnished pursuant to contracts
507	under more than one original contract, the notice requirements [must] shall be met with respect
608	to the labor, service, equipment, or material furnished under each original contract.
509	$[\frac{3}{2}]$ (a) $[\frac{1}{2}]$ (a) construction project owner, original contractor, subcontractor, or
510	other interested person who believes that a preliminary notice has been filed erroneously[, that
511	owner, original contractor, subcontractor, or other interested person can] may request from the
512	person who filed the preliminary notice evidence establishing the validity of the preliminary
513	notice.
514	(b) Within 10 days after the request described in Subsection [(3)] (5)(a), the person or

615	entity that filed the preliminary notice shall provide the requesting person or entity proof that
616	the preliminary notice is valid.
617	(c) If the person or entity that filed the preliminary notice does not provide proof of the
618	validity of the preliminary notice, that person or entity shall immediately cancel the preliminary
619	notice from the database in any manner prescribed by the division pursuant to rule.
620	[(4)] (6) A person filing a preliminary notice by alternate filing is responsible for
621	verifying and changing any incorrect information in the preliminary notice before the
622	expiration of the time period during which the notice is required to be filed.
623	[(5) Until June 1, 2008, nothing in this section affects a person's rights under Title 38,
624	Chapter 11, Residence Lien Restriction and Lien Recovery Fund Act.]
625	(7) A person who files a preliminary notice that contains inaccurate or incomplete
626	information may not be held liable for damages suffered by any other person who relies on the
627	inaccurate or incomplete information in filing a preliminary notice.
628	Section 11. Section 38-1-32.5 is enacted to read:
629	38-1-32.5. Preliminary notice on government project.
630	(1) Except for a person who has a contract with an owner or an owner-builder or a
631	laborer compensated with wages, a subcontractor on a government project shall file a
632	preliminary notice with the database by the later of:
633	(a) 20 days after the subcontractor commences the subcontractor's own work or
634	commences furnishing labor, service, equipment, or material to the construction project; and
635	(b) 20 days after the filing of a notice of commencement, if the subcontractor's work
636	commences before the filing of the first notice of commencement.
637	(2) A preliminary notice filed within the period described in Subsection (1) is effective
638	as to all labor, service, equipment, and material that the subcontractor furnishes to the
639	construction project, including labor, service, equipment, and material provided that the
640	subcontractor furnishes to more than one contractor or subcontractor.
641	(3) (a) If more than one notice of commencement is filed for a project, a person may
642	attach a preliminary notice to any notice of commencement filed for the project.
643	(b) A preliminary notice attached to an untimely notice of commencement is valid if
644	there is also a valid and timely notice of commencement for the project.
645	(4) If a person files a preliminary notice after the period prescribed by Subsection (1),

646	the preliminary notice becomes effective five days after the day on which the preliminary
647	notice is filed.
648	(5) Except as provided in Subsection (8), failure to file a preliminary notice within the
649	period required by Subsection (1) precludes a person from maintaining any claim for
650	compensation earned for labor, service, materials, or equipment furnished to the construction
651	project before the expiration of five days after the late filing of a preliminary notice, except as
652	against the person with whom the person contracted.
653	(6) A preliminary notice on a government project shall include:
654	(a) the government project identifying information;
655	(b) the name, address, and telephone number of the person furnishing the labor,
656	service, equipment, or material;
657	(c) the name and address of the person who contracted with the claimant for the
658	furnishing of the labor, service, equipment, or material;
659	(d) the name of the record or reputed owner of the project;
660	(e) the name of the original contractor under which the claimant is performing or will
661	perform its work; and
662	(f) the address of the project or a description of the location of the project.
663	(7) Upon request, an original contractor shall provide a subcontractor with the number
664	assigned to the project by the designated agent.
665	(8) A person who provides labor, service, equipment, or material before the filing of a
666	notice of commencement need not file a preliminary notice to maintain any right the person
667	would otherwise have, if the notice of commencement is filed more than 15 days after the day
668	on which the person begins work on the project.
669	(9) Subsections 38-1-32(2), (3), (4), (5), and (6) apply to a preliminary notice on a
670	government project under this section to the same extent that those subsections apply to a
671	preliminary notice on a private project under Section 38-1-32.
672	Section 12. Section <b>38-1-33</b> is amended to read:
673	38-1-33. Notice of completion.
674	(1) (a) Upon final completion of a construction project, and in accordance with Section
675	38-1-40, the following with a construction project registered with the database may file a notice
676	of completion with the database:

677	(i) an owner of the construction project;
678	(ii) an original contractor of the construction project;
679	(iii) a lender that has provided financing for the construction project;
680	(iv) a surety that has provided bonding for the construction project; or
681	(v) a title company issuing a title insurance policy on the construction project.
682	(b) Notwithstanding Section 38-1-2, if a subcontractor performs substantial work after
683	the applicable dates established by Subsection (1)(a), that subcontractor's subcontract is
684	considered an original contract for the sole purpose of determining:
685	(i) the subcontractor's time frame to file a notice to hold and claim a lien under
686	Subsection 38-1-7(1); and
687	(ii) the original contractor's time frame to file a notice to hold and claim a lien under
688	Subsection 38-1-7(1) for that subcontractor's work.
689	(c) A notice of completion shall include:
690	[(i) the building permit number for the project, or the number assigned to the project by
691	the designated agent;]
692	[(ii)] (i) the name, address, [and] telephone number, and email address of the person
693	filing the notice of completion;
694	[(iii) the name of the original contractor for the project;]
695	[(iv) the address of the project or a description of the location of the project;]
696	(ii) the name of the county in which the project property is located;
697	(iii) for a private project:
698	(A) the tax parcel identification number of each parcel included in the project property;
699	(B) the entry number of a preliminary notice on the same project that includes the tax
700	parcel identification number of each parcel included in the project property; or
701	(C) the entry number of the building permit issued for the project;
702	(iv) for a government project, the government project-identifying information;
703	(v) the date on which final completion is alleged to have occurred; and
704	(vi) the method used to determine final completion.
705	(d) For purposes of this section, final completion of the original contract does not occur
706	if work remains to be completed for which the owner is holding payment to ensure completion
707	of the work.

- (e) (i) Unless a person indicates to the division or designated agent that the person does not wish to receive a notice under this section, electronic notification of the filing of a notice of completion or alternate [notice as prescribed in Subsection (1)(a),] filing shall be provided to:
  - (A) each person that filed a notice of commencement for the project;
  - (B) each person that filed preliminary notice for the project; and
  - (C) all interested persons who have requested notices concerning the project.
  - (ii) A person to whom notice is required under this Subsection (1)(e) is responsible for:
- (A) providing an email address, mailing address, or telefax number to which a notice required by this Subsection (1)(e) is to be sent; and
- (B) the accuracy of any email address, mailing address, or telefax number to which notice is to be sent.
- (iii) The designated agent fulfills the notice requirement of Subsection (1)(e)(i) when it sends the notice to the email address, mailing address, or telefax number provided to the designated agent, whether or not the notice is actually received.
- (iv) Upon the filing of a notice of completion, the time periods for filing <u>a</u> preliminary [notices] notice stated in Section [38-1-27] 38-1-32 or 38-1-32.5 are modified such that all preliminary notices shall be filed subsequent to the notice of completion and within 10 days from the day on which the notice of completion is filed.
- (f) A subcontract that is considered an original contract for purposes of this section does not create a requirement for an additional preliminary notice if a preliminary notice has already been given for the labor, service, equipment, and material furnished to the subcontractor who performs substantial work.
- (2) (a) If a construction project owner, original contractor, subcontractor, or other interested person believes that a notice of completion has been filed erroneously, that owner, original contractor, subcontractor, or other interested person can request from the person who filed the notice of completion evidence establishing the validity of the notice of completion.
- (b) Within 10 days after the request described in Subsection (2)(a), the person who filed the notice of completion shall provide the requesting person proof that the notice of completion is valid.
- (c) If the person that filed the notice of completion does not provide proof of the validity of the notice of completion, that person shall immediately cancel the notice of

720	
739	completion from the database in any manner prescribed by the division pursuant to rule.
740	(3) A person filing a notice of completion by alternate filing is responsible for verifying
741	and changing any incorrect information in the notice of completion before the expiration of the
742	time period during which the notice is required to be filed.
743	Section 13. Section <b>38-9-2</b> is amended to read:
744	38-9-2. Scope.
745	(1) (a) The provisions of Sections 38-9-1, 38-9-3, 38-9-4, and 38-9-6 apply to any
746	recording or filing or any rejected recording or filing of a lien pursuant to this chapter on or
747	after May 5, 1997.
748	(b) The provisions of Sections 38-9-1 and 38-9-7 apply to all liens of record regardless
749	of the date the lien was recorded or filed.
750	(c) Notwithstanding Subsections (1)(a) and (b), the provisions of this chapter
751	applicable to the filing of a notice of interest do not apply to a notice of interest filed before
752	May 5, 2008.
753	(2) The provisions of this chapter shall not prevent a person from filing a lis pendens in
754	accordance with Section 78B-6-1303 or seeking any other relief permitted by law.
755	[(3) This chapter does not apply to a person entitled to a lien under Section 38-1-3 who
756	files a lien pursuant to Title 38, Chapter 1, Mechanics' Liens.]
757	Section 14. Section <b>58-56-20</b> is amended to read:
758	58-56-20. Standardized building permit content.
759	(1) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
760	division shall adopt a standardized building permit form by rule.
761	(2) (a) The standardized building permit form created under Subsection (1) shall
762	include fields for indicating the following information:
763	(i) the name and address of the owner of [or contractor for the] each parcel of property
764	on which the project will occur;
765	(ii) the name and address of the contractor for the project;
766	[(iii)] (iii) (A) the address of the project; or
767	(B) a general description of the project; [and]
768	(iv) the county in which the property on which the project will occur is located;
769	(v) the tax parcel identification number of each parcel of the property; and

- 770 [(iii)] (vi) whether the permit applicant is an original contractor or owner-builder.
  - (b) The standardized building permit form created under Subsection (1) may include any other information the division considers useful.
    - (3) (a) A compliance agency shall issue a permit for construction only on a standardized building permit form approved by the division.
  - (b) A permit for construction issued by a compliance agency under Subsection (3)(a) shall print the standardized building permit number assigned under Section 58-56-19 in the upper right-hand corner of the building permit form in at least 12-point type.
  - (c) (i) Except as provided in Subsection (3)(c)(ii), a compliance agency may not issue a permit for construction if the information required by Subsection (2)(a) is not completed on the building permit form.
  - (ii) If a compliance agency does not issue a separate permit for different aspects of the same project, the compliance agency may issue a permit for construction without the information required by Subsection (2)(a)[(iii)](vi).
  - (d) A compliance agency may require additional information for the issuance of a permit for construction.
  - (4) A local regulator issuing a single-family residential building permit application shall include in the application or attach to the building permit the following notice prominently placed in at least 14 point font: "Decisions relative to this application are subject to review by the chief executive officer of the municipal or county entity issuing the single-family residential building permit and appeal under the International Residential Code as adopted by the Legislature."
    - Section 15. Section **63G-6-506** is amended to read:

#### 63G-6-506. Preliminary notice requirement.

- (1) Any person furnishing labor, service, equipment, or material for which a payment bond claim may be made under this chapter shall provide preliminary notice to the designated agent as prescribed by Section [38-1-32] 38-1-32.5, except that this section does not apply:
  - (a) to a person performing labor for wages; or
- 798 (b) if a notice of commencement is not filed as prescribed in Section [38-1-31]
  799 38-1-31.5 for the project or improvement for which labor, service, equipment, or material is
  800 furnished.

801	(2) Any person who fails to provide the preliminary notice required by Subsection (1)
802	may not make a payment bond claim under this chapter.
803	(3) The preliminary notice required by Subsection (1) must be provided [prior to]
804	before commencement of any action on the payment bond.
805	Section 16. Repealer.
806	This bill repeals:
807	Section 38-1-37, Application of Section 38-1-27 and Sections 38-1-30 through
808	38-1-36.
809	Section 17. Effective date.
810	This bill takes effect on August 1, 2011.
811	Section 18. Coordinating H.B. 260 with H.B. 203 Technically merging
812	substantive amendments.
813	If this H.B. 260, Mechanics' Liens Revisions, and H.B. 203, Codification of State
814	Construction and Fire Codes, both pass, it is the intent of the Legislature that:
815	(1) the coordination clause in this H.B. 260 supersede the coordination clause
816	contained in H.B. 203; and
817	(2) the Office of Legislative Research and General Counsel, in preparing the Utah
818	Code database for publication:
819	(a) modify Subsection 15A-1-209(3)(b), as enacted in H.B. 203, to read:
820	"(b) The standardized building permit form created under this Subsection (3) shall
821	include fields for indicating the following information:
822	(i) the name and address of the owner of each parcel of property on which the project
823	will occur;
824	(ii) the name and address of the contractor for the project;
825	(iii) (A) the address of the project; or
826	(B) a general description of the project;
827	(iv) the county in which the property on which the project will occur is located;
828	(v) the tax parcel identification number of each parcel of the property; and
829	(vi) whether the permit applicant is an original contractor or owner-builder."; and
830	(b) change the citation in Subsection 15A-1-209(3)(f)(ii), as enacted in H.B. 203, from
831	"Subsection (3)(b)(iii)" to "Subsection (3)(b)(vi)."

# FISCAL NOTE

H.B. 260 1st Sub. (Buff)

SHORT TITLE: Mechanics' Liens Revisions

SPONSOR: Clark, D.

2011 GENERAL SESSION, STATE OF UTAH

STATE GOVERNMENT (UCA 36-12-13(2)(b))

Enactment of this bill likely will not materially impact the state budget.

LOCAL GOVERNMENTS (UCA 36-12-13(2)(c))

Enactment of this bill likely will not result in direct, measurable costs for local governments.

DIRECT EXPENDITURES BY UTAH RESIDENTS AND BUSINESSES (UCA 36-12-13(2)(d)) Enactment of this bill likely will not result in direct, measurable expenditures by Utah residents or businesses.

3/4/2011, 05:04 PM, Lead Analyst: Lee, P.W./Attorney: RHR

Office of the Legislative Fiscal Analyst